

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 COME-00 AGR-20 CIAE-00 INR-10

LAB-06 NSAE-00 RSC-01 STR-08 TRSE-00 CIEP-02 OMB-01

L-03 RSR-01 /074 W

----- 031558

R 241059 Z MAY 73

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9824

INFO AMCONSUL KARACHI

AMEMBASSY NEW DELHI

AMCONSUL CALCUTTA

AMEMBASSY ISLAMABAD

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E. O. 11652: N/ A

TAGS: ETRD, BG

SUBJECT: COTTON IMPORT LIBERALIZED

PASS COMMERCE

SUMMARY: FACED WITH ACUTE SHORTAGE COTTON TEXTILES AND FAILURE
STATE MECHANISMS FOR IMPORT/ DISTRIBUTION TO COPE, GOVT. HAS

SUDDENLY ALLOWED IMPORT TO PRIVATE TRADERS, WHERE PREVIOUSLY
ONLY TRADING CORP. BD COULD IMPORT. FURTHERMORE BDG HAS RE-
INTRODUCED OPEN GENERAL LICENSING, WHICH PRIVATE SECTOR HAS
BEEN URGING. NOT CLEAR WHETHER FOREIGN EXCHANGE AVAILABILITIES,
OTHER CONSTRAINTS WILL PERMIT SIGNIFICANT INCREASE IN SUPPLY
TEXTILES. IF TRADERS SUCCEED HOWEVER WHERE TCB FAILED, LIBERA-
LIZATION COULD BE EXTENDED INTO NEXT 6- MONTH SHIPPING PERIOD.

1. IN UNEXPECTED MOVE, BDG HAS ANNOUNCED DECISION TO ALLOW IMPORT
COTTON TEXTILES IN PRIVATE SECTOR, IN ADDITION VIA TRADING CORPO-
RATION BANGLADESH, AND TO FOLLOW PROCEDURE SIMILAR TO WHAT USED
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TO BE KNOWN AS OPEN GENERAL LICENSING (OGL), WHEREBY SPECIFIC IMPORT LICENSES NOT REQUIRED.

2. IMPORTERS MUST BRING IN NO LESS THAN TAKS 50,000 OR MORE THAT TAKAS 200,000 IN SAREES, LUNGIS (INCLUDING STAPLE FIBRE), MARKIN CLOTH, AND LONG CLOTH (LATTER TWO FOR SHIRTS, PAJAMAS ETC.). IMPORTER NEED ONLY PRESENT EVIDENCE HE IS AN ESTABLISHED TRADER: INCOME TAX REGISTRATION, MEMBERSHIP IN RECOGNIZED CHAMBER OF COMMERCE, BANK LETTER THAT HE IS IN A POSITION TO DEPOSIT THE COMPULSORY L/ C MARGIN OF 30 PERCENT OF IMPORT AUTHORIZATION REQUESTED. ALSO MUST AGREE TO ABIDE BY PRICE CEILINGS ON RESALE. AUTHORIZATION TO BE EXTENDED ON FIRST COME- FIRST SERVE BASIS. TOTAL AMOUNT TEXTILES TO BE IMPORTED UNDER NEW REGIME NOT SPECIFIED.

3. COMMENT: COTTON TEXTILES CONSTITUTED FOREMOST ITEM FOR IMPORT CURRENT JAN- JUNE SHIPPING PERIOD (PARA 9 A - DACCA 0136, 1/8/73). IMPORT AS IN PREVIOUS SHIPPING PERIOD WAS TO HAVE BEEN HANDLED EXCLUSIVELY BY TCB. PURCHASES HAVE BEEN INADEQUATE. CLEARANCE BY TCB FROM PORT OF ENTRY AND DISTRIBUTION TO CONSUMERS, VIA COOPERATIVES OR LOCAL MERCHANTS DESIGNATED BY DISTRICT AUTHORITIES, HAS BEEN EXTREMELY SLOW. PRICES HAVE CONTINUED TO SOAR. NEED PARTICULARLY IN RURAL AREAS HAS BECOME CLOSE TO DESPERATE AS PREVIOUSLY OWNED SAREES/ LUNGIS SIMPLY HAVE WORN OUT. SHORTAGE REPORTEDLY PREVAILS EVEN OF WINDING CLOTH FOR THE DEAD.

4. TEXTILE SUPPLY PROBLEM HAS PEAKED ONCE AGAIN AND APPEARS TO HAVE STIRRED HIGHEST LEVELS OF GOVERNMENT INTO CRASH ACTIVITY, INCLUDING REQUEST BY BDG TO IDA (TURNED DOWN) TO DIVERT PART DKO \$50 MILLION PROGRAM LOAN FOR KHRGENTLY NEEDED MAINTENANCE/ CAP-ITAL IMPORTS TO EMERGENCY IMPORT OF COTTON TEXTILES; ALSO REQUEST TO USG (SEE SEPTTEL). MOVE TO ADMIT PRIVATE SECTOR INTO CLOTH IMPORT IS A CLEAR DEPARTURE FROM PREVIOUS EXCLUDING ROLE ASSIGNED TCB. RETURN TO LONG ABANDONED OGL PROCEDURES ALSO A MAJOR CONCESSION TO PRIVATE TRADE.

5. COTTON TEXTILES LONG THAT FOREMOST IMPORT TO ERSTWHILE EAST PAKISTAN FROM WEST (EXCEPT IN YEARS OF FOOD SHORTAGE, WHEN RICE THE LEADING IMPORT). INDIA HOWEVER HAS NOT FILLED GAP LEFT BY PAK SUPPLIERS. IMPORTS COTTON TEXTILES UNDER GOI- BDG LIMITED PAYMENTS ARRANGEMENT WERE TO AMOUNT TO TAKAS 25 LAKH FOR PERIOD 3/28/72-3/27/73, BUT EVEN THIS LIMITED AMOUNT HAS NOT MOVED LIMITED OFFICIAL USE

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EFFECTIVELY THROUGH DESIGNATED CHANNEL - INDIAN STATE TRADING CORPORATION/ TCB. IN FEBRUARY INDIAN EXPORTERS ALLOWED TO EXPORT TO BANGLADESH OUTSIDE LIMITED PAYMENTS ARRANGEMENT WITH ONLY PRE- SHIPMENT INSPECTION BY GOI TEXTILE COMMITTEE; PREVIOUSLY ONLY INDIAN EXPORT PROMOTION COUNCILS IN COTTON TEXTILE,

HAND LOOM AND ART SILK COULD SO EXPORT TO BANGLADESH. FREE-
ING UP OF INDIAN TRADE HOWEVER HAS NOT APPARENTLY BEEN SUF-
FICIENT TO CONTRIBUTE SIGNIFICANTLY TO MEETING CONSUMPTION
REQUIREMENT HERE.

6. OVERALL COTTON TEXTILE IMPORT TARGET FOR JAN- JUNE SHIPPING
PERIOD WAS DELIVERY OF TAKAS 22 CRORE WORTH, RESULTING IN
40 PERCENT DECREASE IN LOCAL PRICE. THIS NOT ABOUT TO BE
REACHED.

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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